

**HB 4313 REPRESENTATIVE MEADOWS
SINKING FUNDS
(INFRASTRUCTURE INVESTMENT FUNDS)**



Analysis – Under current law, a sinking fund is a voted millage of up to 5 mills that may be used for very limited infrastructure investment purposes: real estate and the construction and repair of school buildings with the approval of school electors. Because this law was enacted in 1976, infrastructure meant something different than it does today. As a result, technology (wireless, broadband etc.) was excluded from the original statute.

Schools are currently permitted more latitude in the proceeds of general obligation bonds for bonded indebtedness than for sinking funds millages. Under section 1351(a) of the revised school code, a district may borrow funds by using voter approved general obligation bonds and use the proceeds for acquiring, installing or re-equipping school buildings for technology, purchasing, erecting, repairing or remodeling a building or purchasing school busses.

Rather than using Sinking Funds or a “pay as you go” model, schools are forced to use bond proceeds – and therefore pay interest charges, fees and legal costs for depreciating assets such as technology and school buses. HB 4313 attempts to change that by allowing local flexibility to use a sinking fund rather than a bond and therefore saving their district money.

Puts More Dollars In The Classroom - When bonds are issued by a school district, taxpayers are responsible for paying interest charges and legal costs. With sinking funds there are no interest payments or associated borrowing costs, therefore allowing those resources to go to students rather than attorneys.

Maintains Local Control – Local voters will still be approving how the money is spent.

Saves Taxpayers Money – Schools would have the flexibility to eliminate or reduce school districts bonded indebtedness.

State Oversight - Schools will continue to receive annual audits from the Department of Treasury ensuring that the money is being spent appropriately.